

# Internal Revenue bulletin

Bulletin No. 2001-26  
June 25, 2001

## HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### INCOME TAX

**Rev. Rul. 2001-29, page 1348.**

**REIT and section 355(b) active conduct of a trade or business.** A REIT can be engaged in the active conduct of a trade or business within the meaning of section 355(b) of the Code solely by virtue of functions with respect to rental activity that produces income qualifying as rents from real property within the meaning of section 856(d) of the Code. Rev. Rul. 73-236 obsoleted.

**Rev. Rul. 2001-31, page 1348.**

**Captive insurance transactions.** This ruling explains that the Service will no longer raise the "economic family theory," set forth in Rev. Rul. 77-316 (1977-2 C.B. 53), in addressing whether captive insurance transactions constitute valid insurance. Rather, the Service will address captive insurance transactions on a case-by-case basis. Rev. Ruls. 77-316, 78-277, 88-72, and 89-61 obsoleted. Rev. Ruls. 78-338, 80-120, 92-93, and 2000-3 modified.

**Rev. Rul. 2001-32, page 1350.**

**Interest rates; underpayments and overpayments.** The rate of interest determined under section 6621 of the Code for the calendar quarter beginning July 1, 2001, will be 7 percent for overpayments (6 percent in the case of a corporation), 7 percent for underpayments, and 9 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 will be 4.5 percent.

**Notice 2001-40, page 1355.**

**Frivolous filing position based on section 861 of the Code.** There is no basis in law for the view that U.S. citizens and residents are not subject to tax on wages and other U.S. source income because the Code only taxes foreign-based activities.

### EXEMPT ORGANIZATIONS

**Announcement 2001-67, page 1356.**

Wentworth Community Services of Chicago, IL, no longer qualifies as an organization to which contributions are deductible under section 170 of the Code.

**Announcement 2001-68, page 1356.**

A list is provided of organizations now classified as private foundations.

### ADMINISTRATIVE

**Announcement 2001-65, page 1356.**

The Service announces that an updated edition of Publication 954, *Tax Incentives for Empowerment Zones and Other Distressed Communities* (revised June 2001), is now available.

Announcement of Declaratory Judgment Proceedings Under Section 7428 begins on page 1358.  
Finding Lists begin on page ii.



Department of the Treasury  
Internal Revenue Service

# The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

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# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 118.—Contributions to the Capital of a Corporation

26 CFR 1.118-1: Contributions to the capital of a corporation.

The revenue ruling obsoletes Rev. Rul. 77-316 (1977-2 C.B. 53), which provided that payments between related parties that were disallowed as deductions for insurance premiums should be recharacterized as contributions to capital under I.R.C. § 118. See Rev. Rul. 2001-31, on this page.

## Section 162.—Trade or Business Expenses

26 CFR 1.162-1: Business expenses.

The revenue ruling announces that the Service will not raise the economic family theory, originally set forth in Rev. Rul. 77-316 (1977-2 C.B. 53), in determining whether payments between related parties are deductible insurance premiums. See Rev. Rul. 2001-31, on this page.

26 CFR 1.162-1: Business expenses.  
(Also §§ 118, 165, 301, 801, 831; 1.118-1, 1.165-1, 1.301-1, 1.801-3, 1.831-3.)

This ruling explains that the Service will no longer raise the “economic family theory” set forth in Rev. Rul. 77-316 (1977-2 C.B. 53), in addressing whether captive insurance transactions constitute valid insurance. Rather, the Service will address captive insurance transactions on a case-by-case basis.

### Rev. Rul. 2001-31

In Rev. Rul. 77-316 (1977-2 C.B. 53), three situations were presented in which a taxpayer attempted to seek insurance coverage for itself and its operating subsidiaries through the taxpayer’s wholly-owned captive insurance subsidiary. The ruling explained that the taxpayer, its non-insurance subsidiaries, and its captive insurance subsidiary represented one “economic family” for purposes of analyzing whether transactions involved sufficient risk shifting and risk distribution to constitute insurance for federal income tax purposes. See *Helvering v. Le Gierse*, 312 U.S. 531 (1941). The ruling concluded that the transactions were not insurance to the extent that risk was retained within that economic family. Therefore, the premiums paid by the taxpayer and its non-insurance subsidiaries to the captive insurer were not deductible.

No court, in addressing a captive insurance transaction, has fully accepted the economic family theory set forth in Rev. Rul. 77-316. See, e.g., *Humana, Inc. v. Commissioner*, 881 F.2d 247 (6<sup>th</sup> Cir. 1989); *Clougherty Packing Co. v. Commissioner*, 811 F.2d 1297 (9<sup>th</sup> Cir. 1987) (employing a balance sheet test, rather than the economic family theory, to conclude that transaction between parent and subsidiary was not insurance); *Kidde Industries, Inc. v. United States*, 40 Fed. Cl. 42 (1997). Accordingly, the Internal Revenue Service will no longer invoke the economic family theory with respect to captive insurance transactions.

The Service may, however, continue to challenge certain captive insurance transactions based on the facts and circumstances of each case. See, e.g., *Malone & Hyde v. Commissioner*, 62 F.3d 835 (6<sup>th</sup> Cir. 1995) (concluding that brother-sister transactions were not insurance because the taxpayer guaranteed the captive’s performance and the captive was thinly capitalized and loosely regulated); *Clougherty Packing Co. v. Commissioner* (concluding that a transaction between parent and subsidiary was not insurance).

### EFFECT ON OTHER DOCUMENTS

Rev. Rul. 77-316, 1977-2 C.B. 53; Rev. Rul. 78-277, 1978-2 C.B. 268; Rev. Rul. 88-72, 1988-2 C.B. 31; and Rev. Rul. 89-61, 1989-1 C.B. 75, are obsolete.

Rev. Rul. 78-338, 1978-2 C.B. 107; Rev. Rul. 80-120, 1980-1 C.B. 41; Rev. Rul. 92-93, 1992-2 C.B. 45; and Rev. Proc. 2000-3, 2000-1 I.R.B. 103, are modified.

### DRAFTING INFORMATION

The principal author of this revenue ruling is Robert A. Martin of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, contact Mr. Martin at (202) 622-3970 (not a toll-free call).

## Section 165.—Losses

26 CFR 1.165-1: Losses.

The revenue ruling obsoletes Rev. Rul. 77-316 (1977-2 C.B. 53), which provided that losses paid by a captive insurance company pursuant to a related-party transaction deemed not to be insurance were deductible by the captive insurer’s respective parent or affiliate under IRC § 165(a). See Rev. Rul. 2001-31, on this page.

## Section 301.—Distributions of Property

26 CFR 1.301-1: Rules applicable with respect to distributions of money and other property.

The revenue ruling obsoletes Rev. Rul. 77-316 (1977-2 C.B. 53), which provided that losses paid by a captive insurance company pursuant to a related-party transaction deemed not to be insurance were viewed, to the extent of available earnings and profits, as distributions under IRC § 301 to the respective parent. See Rev. Rul. 2001-31, on this page.

## Section 355.—Distribution of Stock and Securities of a Controlled Corporation

26 CFR 1.355-3: Active conduct of a trade or business.  
(Also: § 856)

**REIT and section 355(b) active conduct of a trade or business.** A REIT can be engaged in the active conduct of a trade or business within the meaning of section 355(b) of the Code solely by virtue of functions with respect to rental activity that produces income qualifying as rents from real property within the meaning of section 856(d) of the Code.

### Rev. Rul. 2001-29

#### ISSUE

Can a real estate investment trust (REIT) be engaged in the active conduct of a trade or business within the meaning of § 355(b) of the Internal Revenue Code solely by virtue of functions with respect to rental activity that produces income qualifying as rents from real property within the meaning of § 856(d)?

#### LAW AND ANALYSIS

Sections 355(a)(1)(C) and (b) require that both the distributing and controlled corporations be engaged, immediately after a distribution, in the active conduct of a trade or business that has been actively conducted throughout the five year period ending on the date of the distribution. Section 1.355-3(b)(2)(iii) of the Income Tax Regulations provides that the determination of whether a trade or business is actively conducted is made from all the facts and circumstances. Generally, a corporation is treated as actively

conducting a trade or business only if it performs active and substantial management and operational functions. Generally, activities performed by the corporation do not include activities performed by persons outside the corporation, including independent contractors. However, a corporation may satisfy the active trade or business test through the activities it performs itself, even though some of its activities are performed by others. For an illustration of active and substantial management and operational functions in the context of the rental of real property, *see generally* Rev. Rul. 79-394, 1979-2 C.B. 141, *as amplified by* Rev. Rul. 80-181, 1980-2 C.B. 121.

In Rev. Rul. 73-236, 1973-1 C.B. 183, X, an unincorporated domestic trust qualifying as an association taxable as a corporation under § 7701(a)(3), was engaged for more than five years in the sale of real estate that it developed and improved, and in the leasing of buildings that it constructed. In order to raise capital, X intended to convert to a REIT, as defined in § 856. In order to satisfy certain requirements of § 856, X had to dispose of property that it held primarily for sale to customers in the ordinary course of business. To accomplish this, X transferred this property to Y, a newly formed corporation, in exchange for all of the Y stock, which X distributed to its beneficiaries *pro rata*. Immediately following the Y stock distribution and as part of an overall plan, X elected REIT status. In order to ensure that it would meet the requirements of § 856(c), X managed and operated its real estate leasing operations through independent contractors so as to qualify all of its rental income as “rents from real property” within the meaning of § 856(d). Section 856(d)(3), as in effect when Rev. Rul. 73-236 was issued, excluded from the term “rents from real property” amounts received with respect to such property “if the real estate investment trust furnishes or renders services to the tenants of such property, or manages or operates such property, other than through an independent contractor from whom the trust itself does not derive or receive any income.” (In 1976, this provision was redesignated § 856(d)(2)(C). *See* Tax Reform Act of 1976, Pub. L. No. 94-455, § 1604(b), 90 Stat. 1520, 1749 (1976).)

The only issue that Rev. Rul. 73-236 considered was whether X, after the dis-

tribution and while qualifying as a REIT under § 856, was engaged in the active conduct of a trade or business within the meaning of § 355(b). Because X’s rental activities conducted as a REIT were designed to qualify all of its rental income as “rents from real property” within the meaning of § 856(d), Rev. Rul. 73-236 concluded that X did not directly perform substantial management and operational activities and, therefore, that X was not engaged in an active trade or business within the meaning of § 355(b) immediately after the distribution of the Y stock.

Section 663 of the Tax Reform Act of 1986, Pub. L. No. 99-514, 100 Stat. 2085, 2302 (1986), amended § 856(d)(2)(C). Under the statute, as amended, amounts that would qualify as rents from real property under § 512(b)(3) if received by an organization described in § 511(a)(2) are not excluded from rents from real property under § 856(d)(2)(C). Section 512(b)(3) excludes rents from real property from unrelated business taxable income. Section 1.512(b)-1(c)(5) interprets § 512(b)(3) to permit an organization to treat rental income as rents from real property even if, in connection with the rental activity, it furnishes certain services that are not primarily for the convenience of the occupant and are usually or customarily rendered in connection with the rental of real property. Such services include, for example, the furnishing of heat and light; the cleaning of public entrances, exits, stairways, and lobbies; and the collection of trash. Consequently, as a result of the 1986 amendment, a REIT is permitted to perform activities that can constitute active and substantial management and operational functions with respect to rental activity that produces income qualifying as rents from real property under § 856(d).

## HOLDING

A REIT can be engaged in the active conduct of a trade or business within the meaning of § 355(b) solely by virtue of functions with respect to rental activity that produces income qualifying as rents from real property within the meaning of § 856(d).

## EFFECT ON OTHER REVENUE RULING

Rev. Rul. 73-236 is obsolete.

The obsolescence of Rev. Rul. 73-236, which denied § 355 treatment to a distribution of stock by a C corporation that converted to a REIT because the REIT was

not engaged in the active conduct of a trade or business, does not imply a view as to whether a distribution of stock involving a REIT election by the distributing or controlled corporation would otherwise satisfy the requirements of § 355, including the corporate business purpose requirement of § 1.355-2(b).

## DRAFTING INFORMATION

The principal author of this revenue ruling is Richard Passales of the Office of Associate Chief Counsel (Corporate). For further information regarding this revenue ruling, contact Mr. Passales at (202) 622-7530 (not a toll-free call).

## Section 801.—Tax Imposed

*26 CFR 1.801-3: Definitions.*

The revenue ruling obsoletes Rev. Rul. 77-316 (1977-2 C.B. 53), which provided that certain captive insurance companies were not taxable as insurance companies pursuant to IRC §§ 801, 831, and the applicable regulations because the related-party transactions could not be considered “insurance” for purposes of determining whether the captive insurer was “primarily and predominantly engaged in the insurance business,” as required in Treas. Reg. § 1.801-3(a). *See* Rev. Rul. 2001-31, page 1348.

## Section 831.—Tax on Insurance Companies Other Than Life Insurance Companies

*26 CFR 1.831-3: Tax on insurance companies (other than life or mutual), mutual marine insurance companies, mutual fire insurance companies issuing perpetual policies, and mutual fire or flood insurance companies operating on the basis of premium deposits; taxable years beginning after December 31, 1962.*

The revenue ruling obsoletes Rev. Rul. 77-316 (1977-2 C.B. 53), which provided that certain captive insurance companies were not taxable as insurance companies pursuant to IRC §§ 801, 831, and the applicable regulations because the related-party transactions could not be considered “insurance” for purposes of determining whether the captive insurer was “primarily and predominantly engaged in the insurance business,” as required in Treas. Reg. § 1.801-3(a). *See* Rev. Rul. 2001-31, page 1348.

## Section 856.—Definition of Real Estate Investment Trust

*26 CFR 1.856-1: Definition of real estate investment trust.*

**REIT & § 355(b) active conduct of a trade or business:** The ruling holds that a REIT can be engaged in the active conduct of a trade or business within the



meaning of § 355(b) solely by virtue of functions with respect to rental activity that produces income qualifying as rents from real property within the meaning of § 856(d). See Rev. Rul. 2001-29, page 1348.

## Section 6621.—Determination of Interest Rate

26 CFR 301.6621-1: Interest rate.

**Interest rates; underpayments and overpayments.** The rate of interest determined under section 6621 of the Code for the calendar quarter beginning July 1, 2001, will be 7 percent for overpayments (6 percent in the case of a corporation), 7 percent for underpayments, and 9 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 will be 4.5 percent.

## Rev. Rul. 2001-32

Section 6621 of the Internal Revenue Code establishes the rates for interest on tax overpayments and tax underpayments. Under § 6621(a)(1), the overpayment rate beginning July 1, 2001, is the sum of the federal short-term rate plus 3 percentage points (2 percentage points in the case of a corporation), except the rate for the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point for interest computations made after December 31, 1994. Under § 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under § 6601 on any large corporate underpayment, the underpayment rate under § 6621(a)(2) is determined by substituting “5 percentage points” for “3 percentage points.” See § 6621(c) and § 301.6621-3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining the applicable date. Section 6621(c) and § 301.6621-3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter.

Section 6621(b)(2)(A) provides that the federal short-term rate determined under § 6621(b)(1) for any month applies during the first calendar quarter beginning after such month.

Section 6621(b)(3) provides that the federal short-term rate for any month is the federal short-term rate determined during such month by the Secretary in accordance with § 1274(d), rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, the rate is increased to the next highest full percent).

Notice 88-59, 1988-1 C.B. 546, announced that, in determining the quarterly interest rates to be used for overpayments and underpayments of tax under § 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with § 6621 which, pursuant to § 6622, is subject to daily compounding.

Rounded to the nearest full percent, the federal short-term rate based on daily compounding determined during the month of April 2001 is 4 percent. Accordingly, an overpayment rate of 7 percent (6 percent in the case of a corporation) and an underpayment rate of 7 percent are established for the calendar quarter beginning July 1, 2001. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 for the calendar quarter beginning July 1, 2001, is 4.5 percent. The underpayment rate for large corporate underpayments for the calendar quarter beginning July 1, 2001, is 9 percent. These rates apply to amounts bearing interest during that calendar quarter.

Interest factors for daily compound interest for annual rates of 4.5 percent, 6 percent, 7 percent, and 9 percent are published in Tables 14, 17, 19, and 23 of Rev. Proc. 95-17, 1995-1 C.B. 556, 568, 571, 573, and 577.

Annual interest rates to be compounded daily pursuant to § 6622 that apply for prior periods are set forth in the tables accompanying this revenue ruling.

## DRAFTING INFORMATION

The principal author of this revenue ruling is Raymond Bailey of the Office of Associate Chief Counsel (Procedure & Administration), Administrative Provisions & Judicial Practice Division. For further information regarding this revenue ruling, contact Mr. Bailey at (202) 622-6226 (not a toll-free call).

TABLE OF INTEREST RATES  
PERIODS BEFORE JUL. 1, 1975 - PERIODS ENDING DEC. 31, 1986  
OVERPAYMENTS AND UNDERPAYMENTS

PERIOD	RATE	In 1995-1 C.B. DAILY RATE TABLE
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975—Jan. 31, 1976	9%	Table 4, pg. 559
Feb. 1, 1976—Jan. 31, 1978	7%	Table 3, pg. 558
Feb. 1, 1978—Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980—Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982—Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983—Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983—Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984—Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984—Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985—Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985—Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986—Jun. 30, 1986	10%	Table 25, pg. 579
Jul. 1, 1986—Dec. 31, 1986	9%	Table 23, pg. 577

TABLE OF INTEREST RATES  
FROM JAN. 1, 1987 - DEC. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
	1995-1 C.B.			1995-1 C.B.		
	RATE	TABLE	PG	RATE	TABLE	PG
Jan. 1, 1987—Mar. 31, 1987	8%	21	575	9%	23	577
Apr. 1, 1987—Jun. 30, 1987	8%	21	575	9%	23	577
Jul. 1, 1987—Sep. 30, 1987	8%	21	575	9%	23	577
Oct. 1, 1987—Dec. 31, 1987	9%	23	577	10%	25	579
Jan. 1, 1988—Mar. 31, 1988	10%	73	627	11%	75	629
Apr. 1, 1988—Jun. 30, 1988	9%	71	625	10%	73	627
Jul. 1, 1988—Sep. 30, 1988	9%	71	625	10%	73	627
Oct. 1, 1988—Dec. 31, 1988	10%	73	627	11%	75	629
Jan. 1, 1989—Mar. 31, 1989	10%	25	579	11%	27	581
Apr. 1, 1989—Jun. 30, 1989	11%	27	581	12%	29	583
Jul. 1, 1989—Sep. 30, 1989	11%	27	581	12%	29	583
Oct. 1, 1989—Dec. 31, 1989	10%	25	579	11%	27	581
Jan. 1, 1990—Mar. 31, 1990	10%	25	579	11%	27	581
Apr. 1, 1990—Jun. 30, 1990	10%	25	579	11%	27	581
Jul. 1, 1990—Sep. 30, 1990	10%	25	579	11%	27	581
Oct. 1, 1990—Dec. 31, 1990	10%	25	579	11%	27	581
Jan. 1, 1991—Mar. 31, 1991	10%	25	579	11%	27	581
Apr. 1, 1991—Jun. 30, 1991	9%	23	577	10%	25	579
Jul. 1, 1991—Sep. 30, 1991	9%	23	577	10%	25	579
Oct. 1, 1991—Dec. 31, 1991	9%	23	577	10%	25	579
Jan. 1, 1992—Mar. 31, 1992	8%	69	623	9%	71	625
Apr. 1, 1992—Jun. 30, 1992	7%	67	621	8%	69	623
Jul. 1, 1992—Sep. 30, 1992	7%	67	621	8%	69	623
Oct. 1, 1992—Dec. 31, 1992	6%	65	619	7%	67	621
Jan. 1, 1993—Mar. 31, 1993	6%	17	571	7%	19	573
Apr. 1, 1993—Jun. 30, 1993	6%	17	571	7%	19	573
Jul. 1, 1993—Sep. 30, 1993	6%	17	571	7%	19	573
Oct. 1, 1993—Dec. 31, 1993	6%	17	571	7%	19	573
Jan. 1, 1994—Mar. 31, 1994	6%	17	571	7%	19	573
Apr. 1, 1994—Jun. 30, 1994	6%	17	571	7%	19	573
Jul. 1, 1994—Sep. 30, 1994	7%	19	573	8%	21	575
Oct. 1, 1994—Dec. 31, 1994	8%	21	575	9%	23	577
Jan. 1, 1995—Mar. 31, 1995	8%	21	575	9%	23	577
Apr. 1, 1995—Jun. 30, 1995	9%	23	577	10%	25	579
Jul. 1, 1995—Sep. 30, 1995	8%	21	575	9%	23	577
Oct. 1, 1995—Dec. 31, 1995	8%	21	575	9%	23	577
Jan. 1, 1996—Mar. 31, 1996	8%	69	623	9%	71	625
Apr. 1, 1996—Jun. 30, 1996	7%	67	621	8%	69	623
Jul. 1, 1996—Sep. 30, 1996	8%	69	623	9%	71	625
Oct. 1, 1996—Dec. 31, 1996	8%	69	623	9%	71	625
Jan. 1, 1997—Mar. 31, 1997	8%	21	575	9%	23	577
Apr. 1, 1997—Jun. 30, 1997	8%	21	575	9%	23	577
Jul. 1, 1997—Sep. 30, 1997	8%	21	575	9%	23	577
Oct. 1, 1997—Dec. 31, 1997	8%	21	575	9%	23	577
Jan. 1, 1998—Mar. 31, 1998	8%	21	575	9%	23	577
Apr. 1, 1998—Jun. 30, 1998	7%	19	573	8%	21	575
Jul. 1, 1998—Sep. 30, 1998	7%	19	573	8%	21	575
Oct. 1, 1998—Dec. 31, 1998	7%	19	573	8%	21	575

TABLE OF INTEREST RATES  
FROM JANUARY 1, 1999 - PRESENT  
NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	RATE	1995-1 C.B. TABLE	PAGE
Jan. 1, 1999—Mar. 31, 1999	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	8%	69	623
Apr. 1, 2000—Jun. 30, 2000	9%	71	625
Jul. 1, 2000—Sep. 30, 2000	9%	71	625
Oct. 1, 2000—Dec. 31, 2000	9%	71	625
Jan. 1, 2001—Mar. 31, 2001	9%	23	577
Apr. 1, 2001—Jun. 30, 2001	8%	21	575
Jul. 1, 2001—Sep. 30, 2001	7%	19	573

TABLE OF INTEREST RATES  
FROM JANUARY 1, 1999 - PRESENT  
CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
	1995-1 C.B.			1995-1 C.B.		
	RATE	TABLE	PG	RATE	TABLE	PG
Jan. 1, 1999—Mar. 31, 1999	6%	17	571	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	7%	19	573	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	7%	19	573	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	7%	19	573	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	7%	67	621	8%	69	623
Apr. 1, 2000—Jun. 30, 2000	8%	69	623	9%	71	625
Jul. 1, 2000—Sep. 30, 2000	8%	69	623	9%	71	625
Oct. 1, 2000—Dec. 31, 2000	8%	69	623	9%	71	625
Jan. 1, 2001—Mar. 31, 2001	8%	21	575	9%	23	577
Apr. 1, 2001—Jun. 30, 2001	7%	19	573	8%	21	575
Jul. 1, 2001—Sep. 30, 2001	6%	17	571	7%	19	573



TABLE OF INTEREST RATES FOR  
LARGE CORPORATE UNDERPAYMENTS  
FROM JANUARY 1, 1991 - PRESENT

	RATE	1995-1 C.B. TABLE	PG
Jan. 1, 1991—Mar. 31, 1991	13%	31	585
Apr. 1, 1991—Jun. 30, 1991	12%	29	583
Jul. 1, 1991—Sep. 30, 1991	12%	29	583
Oct. 1, 1991—Dec. 31, 1991	12%	29	583
Jan. 1, 1992—Mar. 31, 1992	11%	75	629
Apr. 1, 1992—Jun. 30, 1992	10%	73	627
Jul. 1, 1992—Sep. 30, 1992	10%	73	627
Oct. 1, 1992—Dec. 31, 1992	9%	71	625
Jan. 1, 1993—Mar. 31, 1993	9%	23	577
Apr. 1, 1993—Jun. 30, 1993	9%	23	577
Jul. 1, 1993—Sep. 30, 1993	9%	23	577
Oct. 1, 1993—Dec. 31, 1993	9%	23	577
Jan. 1, 1994—Mar. 31, 1994	9%	23	577
Apr. 1, 1994—Jun. 30, 1994	9%	23	577
Jul. 1, 1994—Sep. 30, 1994	10%	25	579
Oct. 1, 1994—Dec. 31, 1994	11%	27	581
Jan. 1, 1995—Mar. 31, 1995	11%	27	581
Apr. 1, 1995—Jun. 30, 1995	12%	29	583
Jul. 1, 1995—Sep. 30, 1995	11%	27	581
Oct. 1, 1995—Dec. 31, 1995	11%	27	581
Jan. 1, 1996—Mar. 31, 1996	11%	75	629
Apr. 1, 1996—Jun. 30, 1996	10%	73	627
Jul. 1, 1996—Sep. 30, 1996	11%	75	629
Oct. 1, 1996—Dec. 31, 1996	11%	75	629
Jan. 1, 1997—Mar. 31, 1997	11%	27	581
Apr. 1, 1997—Jun. 30, 1997	11%	27	581
Jul. 1, 1997—Sep. 30, 1997	11%	27	581
Oct. 1, 1997—Dec. 31, 1997	11%	27	581
Jan. 1, 1998—Mar. 31, 1998	11%	27	581
Apr. 1, 1998—Jun. 30, 1998	10%	25	579
Jul. 1, 1998—Sep. 30, 1998	10%	25	579
Oct. 1, 1998—Dec. 31, 1998	10%	25	579
Jan. 1, 1999—Mar. 31, 1999	9%	23	577
Apr. 1, 1999—Jun. 30, 1999	10%	25	579
Jul. 1, 1999—Sep. 30, 1999	10%	25	579
Oct. 1, 1999—Dec. 31, 1999	10%	25	579
Jan. 1, 2000—Mar. 31, 2000	10%	73	627
Apr. 1, 2000—Jun. 30, 2000	11%	75	629
Jul. 1, 2000—Sep. 30, 2000	11%	75	629
Oct. 1, 2000—Dec. 31, 2000	11%	75	629
Jan. 1, 2001—Mar. 31, 2001	11%	27	581
Apr. 1, 2001—Jun. 30, 2001	10%	25	579
Jul. 1, 2001—Sep. 30, 2001	9%	23	577

TABLE OF INTEREST RATES FOR CORPORATE  
OVERPAYMENTS EXCEEDING \$10,000  
FROM JANUARY 1, 1995 - PRESENT

	RATE	1995-1 C.B. TABLE	PG
Jan. 1, 1995—Mar. 31, 1995	6.5%	18	572
Apr. 1, 1995—Jun. 30, 1995	7.5%	20	574
Jul. 1, 1995—Sep. 30, 1995	6.5%	18	572
Oct. 1, 1995—Dec. 31, 1995	6.5%	18	572
Jan. 1, 1996—Mar. 31, 1996	6.5%	66	620
Apr. 1, 1996—Jun. 30, 1996	5.5%	64	618
Jul. 1, 1996—Sep. 30, 1996	6.5%	66	620
Oct. 1, 1996—Dec. 31, 1996	6.5%	66	620
Jan. 1, 1997—Mar. 31, 1997	6.5%	18	572
Apr. 1, 1997—Jun. 30, 1997	6.5%	18	572
Jul. 1, 1997—Sep. 30, 1997	6.5%	18	572
Oct. 1, 1997—Dec. 31, 1997	6.5%	18	572
Jan. 1, 1998—Mar. 31, 1998	6.5%	18	572
Apr. 1, 1998—Jun. 30, 1998	5.5%	16	570
Jul. 1, 1998—Sep. 30, 1998	5.5%	16	570
Oct. 1, 1998—Dec. 31, 1998	5.5%	16	570
Jan. 1, 1999—Mar. 31, 1999	4.5%	14	568
Apr. 1, 1999—Jun. 30, 1999	5.5%	16	570
Jul. 1, 1999—Sep. 30, 1999	5.5%	16	570
Oct. 1, 1999—Dec. 31, 1999	5.5%	16	570
Jan. 1, 2000—Mar. 31, 2000	5.5%	64	618
Apr. 1, 2000—Jun. 30, 2000	6.5%	66	620
Jul. 1, 2000—Sep. 30, 2000	6.5%	66	620
Oct. 1, 2000—Dec. 31, 2000	6.5%	66	620
Jan. 1, 2001—Mar. 31, 2001	6.5%	18	572
Apr. 1, 2001—Jun. 30, 2001	5.5%	16	570
Jul. 1, 2001—Sep. 30, 2001	4.5%	14	568

## Part III. Administrative, Procedural, and Miscellaneous

### Frivolous Filing Position Based on Section 861

#### Notice 2001-40

The Internal Revenue Service and the Treasury Department are aware that certain persons are promoting the view that U.S. citizens and residents are not subject to tax on their wages and other income earned or derived within the United States based on the claim that the Internal Revenue Code imposes taxes only on income derived from certain foreign-based activities. The Service and Treasury are issuing this notice to inform taxpayers that this reporting position has no basis in law.

The proponents of this position misread the Code and the Treasury Regulations. Although the proponents acknowledge that section 1 imposes income tax on “taxable income,” that “taxable income” consists of “gross income” minus deductions (section 63) and that “gross income” is income “from whatever source derived” (section 61), they assert that sections 861 through 865 of the Code and the regulations thereunder (in particular, Treasury regulation section 1.861-8) limit taxable “sources” of income to certain foreign-based activities.

That assertion is refuted by the express and unambiguous terms of the Code. Section 61 includes in gross income “all income from whatever source derived.” As the Supreme Court stated in *Commissioner v. Glenshaw Glass Co.*, 348 U.S. 426, 429 (1955), “Congress applied no limitations as to the source of taxable receipts . . . .” Nothing in sections 861 to 865 of the Code limits the gross income subject to United States taxation to foreign-source income. The rules of sections

861 through 865 have significance in determining whether income is considered from sources within the United States or without the United States, which is relevant, for example, in determining whether a U.S. citizen or resident may claim a credit for foreign taxes paid. See *Great-West Life Assurance Co. v. United States*, 678 F.2d 180, 183 (Ct. Cl. 1982) (stating that “[t]he determination of where income is derived or ‘sourced’ is generally of no moment to either United States citizens or United States corporations, for such persons are subject to tax under I.R.C. § 1 and I.R.C. § 11, respectively, on their worldwide income” and that “[l]ikewise, the income of a resident alien individual is taxed under I.R.C. § 1 without regard to source”). The source rules do not operate to exclude from U.S. taxation income earned by United States persons from sources within the United States. *Williams v. Commissioner*, 114 T.C. 136 (2000) (rejecting the claim that income was not subject to tax because it was not from any of the sources listed in Treas. Reg. sec. 1.861-8(a)); *Aiello v. Commissioner*, T.C. Memo. 1995-40 (1995) (rejecting the claim that section 861 lists the only sources of income relevant for purposes of section 61).

The courts have categorically rejected contentions that U.S. citizens are not lawfully subject to Federal income tax on their income from all sources and have upheld criminal convictions of individuals who based their refusal to pay Federal income tax on such contentions. See, e.g., *United States v. Condo*, 741 F.2d 238 (9th Cir. 1984).

The Internal Revenue Service and the Treasury Department advise taxpayers that if they file returns reflecting this the-

ory that only certain foreign-source income is taxable, they may be subject to penalties including, but not limited to, the accuracy-related penalty under section 6662 and the frivolous return penalty under section 6702. Under some circumstances, taxpayers adopting this position on tax returns may be subject to additional sanctions, including failure to file or pay penalties under section 6651 and civil fraud penalties under section 6663, and may be prosecuted for criminal violations of the tax law. In addition, practitioners advocating this position may be subject, under some circumstances, to the return preparer penalty under section 6694 or aiding and abetting penalties under section 6701, and may be prosecuted for criminal violations of the tax law.

The Internal Revenue Service and the Treasury Department recognize that some taxpayers may have chosen not to file or have filed incorrect tax returns, taking the position that they were not required to report wages or other income earned in the United States for taxation. We advise these taxpayers to take prompt action to file correct returns and to comply with the tax laws. Taxpayers can obtain tax forms, including those necessary to amend previously-filed returns, via the IRS web site (<http://www.irs.gov>), obtain them through the IRS’ TaxFax Services (from a fax machine call: 703-368-9694 (not a toll-free number)), or order the forms by phone: 1-800-TAX-FORM (1-800-829-3676).

## Part IV. Items of General Interest

### New Revision of Publication 954, *Tax Incentives for Empowerment Zones and Other Distressed Communities*

#### Announcement 2001-65

Publication 954, revised June 2001, is now available from the Internal Revenue Service. It replaces the February 1999 revision.

This publication is primarily for business owners who want to find out whether they qualify for certain tax incentives created to increase business activity in distressed communities.

You can get a copy of this publication by calling 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. The publication is also available on the IRS Internet Web site at [www.irs.gov](http://www.irs.gov).

### Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code

#### Announcement 2001-67

The name of an organization that no longer qualifies as an organization described in section 170(c)(2) of the Internal Revenue Code of 1986 is listed below.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on June 25, 2001, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

Wentworth Community Services  
Chicago, IL

### Foundations Status of Certain Organizations

#### Announcement 2001-68

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

*Former Public Charities.* The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

100 Black Women of Milwaukee, Inc.,  
Milwaukee, WI  
Able Group, Inc., San Diego, CA  
A.D.D. Foundation, Medina, MN  
African International Institute,  
Irvine, CA  
Africarta, Inc., St. Petersburg, FL  
Ahava Incorporated, Baltimore, MD

American Aviation Heritage Foundation,  
Inc., Minneapolis, MN  
American Lutheran Community Services,  
Inc., Eau Claire, WI  
Anchor Ministries Incorporated,  
Yorkville, IL  
Association for Christian Teens-Act, Inc.,  
Lake City, MN  
Baldwin Conservation Area Corporation,  
Howell, MI  
Barb Frost Foundation, Inc.,  
New Brighton, MN  
Bartus Foundation, Inc., Wauwatosa, WI  
Bell School Parent Teacher Organization,  
Marblehead, MA  
Bible Verse Ministries, Montgomery, AL  
Black Excel the College Help Network,  
New York, NY  
Bloomingdale Athletic Club,  
Grand Junction, MI  
Boston Aids Consortium, Boston, MA  
Buddy Ball Sports League,  
Laureldale, NJ  
Business and Nonprofit Development  
Center of Eastern Madera County, Inc.,  
North Fork, CA  
C. D. Gilmore African-American  
Genealogy & Research Center,  
East Orange, NJ  
Call to Action-Wisconsin,  
Milwaukee, WI  
Campbell Residential Services, Corp.,  
Lancaster, OH  
Career Development and Youth  
Community Services, Inc., Inkster, MI  
Carlton County Electric Tr.,  
Kettle River, MN  
Carver-Scott Educational Foundation,  
Chaska, MN  
Catholic Servant, Minneapolis, MN  
Cedarburg Community Pool Association,  
Cedarburg, WI  
Cema Sargent Foundation, St. Paul, MN  
Center for Intelligence Studies, Inc.,  
Arlington, VA  
Consolidated Medical-Jurisprudence  
Services, Inc., Edina, MN  
Creative Lifelines for Survivors,  
Stillwater, MN  
Creative Steps Learning World, Chicago,  
IL  
Cyclone Fire Department, Cyclone, WV  
Derek Kuduk Memorial Foundation,  
Andover, MN  
Earning by Learning Foundation, Inc.,  
Fond Du Lac, WI

East Gull Lake First Responders,  
 E. Gull Lake, MN  
 Evansville Minority Community  
 Development Fund of Indiana, Inc.,  
 Evansville, IN  
 Faith Community Impact, Inc.,  
 Racine WI  
 Families Fighting Against Crime  
 Together, Inc., Delavan, MI  
 Farm City Link, Inc., Milwaukee, WI  
 Fishnet Ministries International,  
 Kihei, HI  
 Five Fold Ministries, Inc., Canton, MN  
 Flyway Ministries, Inc., Beaver Dam, WI  
 Furry Critters Wildlife Sanctuary, Inc.,  
 Sturgeon Bay, WI  
 Future Home Foundation, Inc.,  
 Phoenix, MD  
 Gateway Development Opportunities,  
 Inc., Minneapolis, MN  
 Generations Neighborhood Development  
 Organization, Detroit, MI  
 Girls Club of Puget Sound, Seattle, WA  
 Global Environmental Business Research  
 Institute, San Diego, CA  
 Gold Coast Driving for the Disabled,  
 Ojai, CA  
 Good Company, Prior Lake, MN  
 Grasslyn Manor Neighborhood  
 Association Nonstock, Inc.,  
 Milwaukee, WI  
 Great Lakes Housing Opportunities, Inc.,  
 Haslett, MI  
 Great Taste of La Crosse, Inc.,  
 La Crosse, WI  
 Gundersen Lutheran Visiting Nurses,  
 Inc., La Crosse, WI  
 Happy Voices, Inc., Medford, OR  
 Harlem Jazz Society Foundation, Inc.,  
 New Orleans, LA  
 Harriet Sloan Memorial Scholarship  
 Fund, Somers, NY  
 Healthy Visions Laurens County, Inc.,  
 Clinton, SC  
 Hello Friend, Inc., Madison, WI  
 Hibbing Sister Cities, Inc.,  
 Hibbing, MN  
 Hispanic Educational and Support  
 Outreach Services, Inc., Racine, WI  
 Hoop Club, Inc., Duluth, MN  
 Hopkins Family & Youth Preservation  
 Society, Hopkins, MN  
 Hudson Benchwarmers Club, Inc.,  
 Hudson, WI  
 ICI University Center for Deaf  
 Ministries, Nerstrand, MN  
 Independence Square Apartments II,  
 Fort Gratiot, MI  
 International Association for Scientific  
 Study of Intellectual Disabilities,  
 Birmingham, AL  
 International Black Aerospace Council  
 IBAC, Inc., Oklahoma City, OK  
 International Churchill Society,  
 Laurel, MD  
 International Fuel Cell Electric Power  
 Association, Tulsa, OK  
 International Marinelife Alliance,  
 Honolulu, HI  
 International Society of Refractive  
 Surgery Foundation, Minneapolis, MN  
 James and John Apartments, Inc.,  
 Milwaukee, WI  
 Jesses Toys for Tots Committee,  
 New Baltimore, MI  
 Jim Niessen Foundation for Disabled  
 Skiers, Forest Lake, MN  
 Kappa Chapter-Gamma Phi Beta  
 Foundation, Excelsior, MN  
 Knights of Columbus Scholastic  
 Achievement Fund,  
 Essex Junction, VT  
 Lakes Area Community Association, Inc.,  
 Twin Lakes, WI  
 Lakeshore Child Care Services, Inc.,  
 Sturgeon Bay, WI  
 Latin Athletic Club, Inc., Racine, WI  
 Living Treasures, Inc., Monsey, NY  
 Mankato School of Arts & Crafts,  
 Mankato, MN  
 Mantle Group, Inc., Hempstead, NY  
 Mechanic Arts Central Alumni  
 Association, St. Paul, MN  
 Memory Lane Center, Detroit, MI  
 Michigan Black Expo, Inc.,  
 Grand Rapids, MI  
 Michigan Council on Problem Gambling,  
 Inc., Grosse Pointe Farms, MI  
 Michigan Regional Training Agency,  
 Birch Run, MI  
 Minds Eye Institute, Inc., Brookfield, WI  
 Minneapolis St. Paul Tape & Book  
 Ministry, Burnesville, MN  
 Minnesota Professional Golfers  
 Association Scholarship Fund,  
 Coon Rapids, MN  
 Minnesota Property Rights Foundation,  
 Inc., Blaine, MN  
 Minnesota Valley BMX, Inc.,  
 Bloomington, MN  
 Motion of South Fla. Inc., Miami, FL  
 National Association of Baby Boomers,  
 Inc., Depere, WI  
 National Center for Violence Prevention,  
 Ashland, OR  
 Natives, Columbia Heights, MN  
 New Beginnings of Northern Wisconsin,  
 Inc., Rhinelander, WI  
 New Beginnings Outreach Ministries,  
 Inc., Bronx, NY  
 New Vision Community Organization of  
 Southeast Wisconsin, Inc., Racine, WI  
 North Urban Broadcasting, Inc.,  
 Minneapolis, MN  
 Northeastern Minnesota Creativity  
 Council, Duluth, MN  
 Paideia Educational Foundation,  
 Parkersburg, WV  
 Partnership for a Healthier Community,  
 Joliet, IL  
 Paul E. Goldstein Family and Childrens  
 Foundation, Minnetonka, MN  
 Pazmany Peter Catholic Univ. of  
 Hungary Chapel, Madison, WI  
 People Regenerating Opportunities for  
 Equal Success Corp., Milwaukee, WI  
 Phoenix Project Community  
 Development Fdn., Fayette, MS  
 Planet Savers, Inc.,  
 Port Washington, NY  
 Praise Cathedral Ministries, Dallas, TX  
 Primary Choice Residence Home, Inc.,  
 Milwaukee, WI  
 Pro Viviendas I, Inc., Canovas, PR  
 Progressive Center for Education and  
 Economic Development, Inc.,  
 St. Paul, MN  
 Project Success, Inc., Savannah, GA  
 Purple Cow & Friends,  
 Valley Center, CA  
 Queens Multi-Service, Glendale, NY  
 Rainforest and Reef Conservation Fund,  
 Grand Rapids, MI  
 Range Helping Hands, Inc.,  
 Hibbing, MN  
 Read Tampa Bay, Inc., Tampa, FL  
 Recycled Rhapsodies-Free Musical  
 Instruments for Needy Children,  
 Kenosha, WI  
 Renew Community Services, Inc.,  
 Milwaukee, WI  
 Restore Our Waters, Inc.,  
 New Smyrna Beach, FL  
 Ripon Community Thrift Store, Inc.,  
 Ripon, WI  
 Rivers of Healing Ministries,  
 Philadelphia, PA  
 Rochester Youth Self Leadership  
 Program, Rochester, MN  
 Rose Cologne Center for Barrier Free  
 Living, State College, PA  
 Russian Connection, Inc., Glendale, WI  
 San Diego Institute for Herbal Studies,  
 San Diego, CA



Sheboygan Elite Fussball Club, Inc.,  
     Sheboygan, WI  
 Shorewood Girls Softball, Inc.,  
     Milwaukee, WI  
 Skill Builders, Inc., Bellevue, NE  
 Southside Youth Sports Club,  
     Minneapolis, MN  
 Staring Art Center, Eden Prairie, MN  
 State Street Renewal Corp.,  
     Milwaukee, WI  
 Stay in the Game, Incorporated,  
     Milwaukee, WI  
 Temple Foundation, Westminster, CA  
 Terwilliger Special Childrens Fund,  
     Lowman, NY  
 Timothy Foundation, Sturgeon Bay, WI  
 Trauma and Abuse Information, Inc.,  
     Madison, WI  
 Trillium Society for the Visual and  
     Performing Arts, Butler, PA  
 Turning Point Ministries, Inc.,  
     Two Harbors, MN  
 Ujima Community Development  
     Corporation, Milwaukee, WI  
 United Lao and Hmong Youth of Mn.  
     Ulhym, St. Paul, MN  
 Valley Ark, Inc., Oshkosh, WI  
 White Bear Area Chamber of Commerce  
     Scholarship Fund,  
     White Bear Lake, MN

Wild Ground Learning Center,  
     Missoula, MT  
 Winnetka Public Schools Foundation,  
     Winnetka, IL  
 Wisconsin Alcohol Drug & Disability  
     Association, Inc., Madison, WI  
 Wisconsin Fish Stocking Association,  
     West Bend, WI  
 Wisconsin Society for the Prevention of  
     Cruelty to Animals, Mequon, WI  
 Wondercare Child Care, Inc.,  
     Camp Verde, AZ  
 Wonderland Gardens, Inc., Decatur, GA  
 Yates Charitable Foundation, Inc.,  
     Boston, MA  
 Youthful in Roads, Inc., Racine, WI  
 Zachary James Lea Memorial  
     Foundation, Incorporated,  
     Waterford, VA  
 Zichron Arye, Inc., Brooklyn, NY

If an organization listed above submits  
 information that warrants the renewal of  
 its classification as a public charity or as a  
 private operating foundation, the Internal  
 Revenue Service will issue a ruling or de-  
 termination letter with the revised classi-  
 fication as to foundation status. Grantors  
 and contributors may thereafter rely upon  
 such ruling or determination letter as pro-

vided in section 1.509(a)-7 of the Income  
 Tax Regulations. It is not the practice of  
 the Service to announce such revised clas-  
 sification of foundation status in the Inter-  
 nal Revenue Bulletin.

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## **Notice of Disposition of Declaratory Judgment Proceedings Under Section 7428**

This announcement serves notice to  
 donors that on April 26, 2001, the United  
 States Tax Court entered a Decision ac-  
 cepting the agreement of the parties that  
 the organization described below is rec-  
 ognized as an organization described in  
 section 501(c)(3) of the Internal Revenue  
 Code of 1986 which is exempt from tax  
 under section 501(a) and is an organiza-  
 tion described in sections 509(a)(1) and  
 170(b)(1)(A)(iii).

Great Plains Health Alliance, Inc.  
     Phillipsburg, KS

## Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

## Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.

Acq.—Acquiescence.

B—Individual.

BE—Beneficiary.

BK—Bank.

B.T.A.—Board of Tax Appeals.

C—Individual.

C.B.—Cumulative Bulletin.

CFR—Code of Federal Regulations.

CI—City.

COOP—Cooperative.

Ct.D.—Court Decision.

CY—County.

D—Decedent.

DC—Dummy Corporation.

DE—Donee.

Del. Order—Delegation Order.

DISC—Domestic International Sales Corporation.

DR—Donor.

E—Estate.

EE—Employee.

E.O.—Executive Order.

ER—Employer.

ERISA—Employee Retirement Income Security Act.

EX—Executor.

F—Fiduciary.

FC—Foreign Country.

FICA—Federal Insurance Contributions Act.

FISC—Foreign International Sales Company.

FPH—Foreign Personal Holding Company.

F.R.—Federal Register.

FUTA—Federal Unemployment Tax Act.

FX—Foreign Corporation.

G.C.M.—Chief Counsel's Memorandum.

GE—Grantee.

GP—General Partner.

GR—Grantor.

IC—Insurance Company.

I.R.B.—Internal Revenue Bulletin.

LE—Lessee.

LP—Limited Partner.

LR—Lessor.

M—Minor.

Nonacq.—Nonacquiescence.

O—Organization.

P—Parent Corporation.

PHC—Personal Holding Company.

PO—Possession of the U.S.

PR—Partner.

PRS—Partnership.

PTE—Prohibited Transaction Exemption.

Pub. L.—Public Law.

REIT—Real Estate Investment Trust.

Rev. Proc.—Revenue Procedure.

Rev. Rul.—Revenue Ruling.

S—Subsidiary.

S.P.R.—Statements of Procedural Rules.

Stat.—Statutes at Large.

T—Target Corporation.

T.C.—Tax Court.

T.D.—Treasury Decision.

TFE—Transferee.

TFR—Transferor.

T.I.R.—Technical Information Release.

TP—Taxpayer.

TR—Trust.

TT—Trustee.

U.S.C.—United States Code.

X—Corporation.

Y—Corporation.

Z—Corporation.

## Numerical Finding List<sup>1</sup>

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insert missing  
children  
Elisabeth Huster  
and  
Claudia Jaurequi

insert  
missing  
children  
Jennifer Douglas  
and  
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insert  
missing  
children  
Guadalupe  
Hernandez  
and  
Edith Henriquez



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